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**For More Information, Contact:**

Chuck Sheketoff (503) 873-1201  
Michael Leachman (503) 873-1201  
Juan Carlos Ordóñez (503) 873-1201

## **New Data Shows Oregon's Wealthiest Pulling Away From the Rest**

The income gap that separates Oregon's wealthiest families from the rest of the state's households has widened dramatically over the past two decades, according to a study released today.

Between the late 1980s and the middle of this decade, Oregon experienced the second highest increase in the gap between the incomes of the richest and middle-income families. The gap between the richest and the poorest families in Oregon grew at the 11<sup>th</sup> fastest pace among all states over the same two decade span.

The Center on Budget Policy and Priorities (CBPP) and the Economic Policy Institute (EPI), two Washington, D.C.-based think tanks, today jointly released the data in a report titled *Pulling Apart*. The time periods analyzed marked peak years of economic cycles.

"It's no wonder that so many Oregonians feel that the economy has left them behind, because it largely has," said Michael Leachman, policy analyst with the Oregon Center for Public Policy, who examined the report and has studied other data on inequality in Oregon. "Unlike the period after World War II, in which prosperity was broadly shared, the economy of the last 20 years has primarily benefited a narrow few."

While growth in the income gap has been more troubling in Oregon than in most states, it is not atypical. *Pulling Apart*, one of the few cross-state analyses of income inequality, found that in more than two-thirds of all states, high-income families distanced themselves significantly from middle- and low-income families between the late 1980s and the mid-2000s. In no state did the income gap narrow.

Besides measuring the growth in income inequality, the report also calculated the size of the gap between the wealthiest families and middle- and low-income families. Oregon had the 11<sup>th</sup> largest gap between the richest and middle-income families in the most current time period. The gap between the richest and poorest families in Oregon was about equal to the average for the nation, ranking 26<sup>th</sup>.

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According to the report's authors and Leachman, the study underestimates income inequality because it did not take into account income from capital gains.

"Capital gains income is concentrated at the top of the income scale and in Oregon has grown even more concentrated since the late 1980s, so income inequality is widening even more dramatically in Oregon than is portrayed in the report," said Leachman.

He has calculated that the share of all capital gains income in Oregon flowing to the wealthiest 1 percent of households rose from 45 percent to 63 percent between 1988 and 2005.

During the same period, the average income of the wealthiest 1 percent of households grew by nearly \$444,000 when adjusted for inflation and when capital gains are included, compared to an increase of \$2,000 for the typical Oregon household, said Leachman.

"Today's economy is pulling us apart, tearing our social fabric and threatening our democracy," Leachman said. "When economic growth bypasses most families, they are more likely to grow cynical. And when the rich get too far out ahead of the rest of us, they tend to accumulate an unhealthy, disproportionate amount of political power and lose touch with the common good."

Leachman called for policies that produce more broadly shared prosperity, including basing Oregon's tax system more on ability to pay.

"Our state and local tax system is upside down," he said, noting that Oregon's system taxes the lowest-income families at a higher rate than the highest-income families. "Those with the greatest ability to pay taxes, the big winners in today's economy, need to shoulder greater responsibility for the common good. In other words, Oregon must live up to its statutory goal of having a progressive tax system."

Additionally, Leachman said that lawmakers should enact policies that promote opportunity, such as expanded job training, worker-friendly leave and child care policies, a more affordable higher education system and a health care system that is more accessible to all Oregonians.

The Oregon Center for Public Policy is a non-partisan research institute that does in-depth research and analysis on budget, tax, and economic issues. The Center's goal is to improve decision making and generate more opportunities for all Oregonians.